

**PAPER – 2: BUSINESS LAWS, ETHICS & COMMUNICATION**

**QUESTIONS**

**PART – A: BUSINESS LAWS**

**The Indian Contract Act, 1872**

1. (a) A railway company refuses to deliver up certain goods to the consignee, except on the payment of an illegal charge for carriage. The consignee pays the sum charged in order to obtain the goods. Decide the legal position of the consignee as per the Indian Contract Act, 1872.
- (b) Mr. Anand contracts with Mr. Birendra that, if he (Anand) practices as a surgeon within Calcutta, he will pay Birendra ₹ 5000. Later, Anand starts practising as a surgeon in Calcutta. Discuss the right available to Birendra with reference to the provisions of the Indian Contract Act, 1872.
2. (a) Aditya holds a lease from Birla which is terminable on three months' notice. C, an unauthorized person gives notice of termination to Aditya. Examine with reference to the provisions of the Indian Contract Act, 1872, whether Aditya is bound by termination of Lease.
- (b) A owns a shop in Serampore, living himself in Calcutta, and visiting the shop occasionally. The shop is managed by B, and he is in the habit of ordering goods from C in the name of A for the purposes of the shop, and of paying for them out of A's funds with A's knowledge. Discuss in the light of the provisions of the Indian Contract Act, 1872, whether B is authorised to conduct the business in the name of A.

**The Negotiable Instruments Act, 1881**

3. Mr. Wise obtains from Mr. Decent, a cheque crossed 'Not Negotiable' fraudulently. He later transfers the cheque to Mr. T, who gets the cheque encashed from Bank, which is not the Drawee Bank. Mr. Decent comes to know about the fraudulent act of Mr. Wise, he sues Bank for the recovery of money. Examine with reference to the relevant provisions of the Negotiable Instruments Act, 1881, whether Mr. Decent will be successful in his claim. Would your answer be still the same in case Mr, Wise does not transfer the cheque and gets the cheque encashed from Bank himself?
4. Bal Bharti executed a promissory note in favour of Kulbhushan for ₹ 1 crore. The said amount was payable three days after sight. Kulbhushan, on maturity, presented the promissory note on 1<sup>st</sup> January, 2015 to Bal Bharti. Bal Bharti made the payments on 4<sup>th</sup> January, 2015. Kulbhushan wants to recover interest for one day from Bal Bharti. Advise Bal Bharti, in the light of provisions of the Negotiable Instruments Act, 1881, whether he is liable to pay the interest for one day?

**The Payment of Bonus Act, 1965**

5. X, a temporary employee drawing a salary of ₹ 3,500 per month, in an establishment to which the Payment of Bonus Act, 1965 applies was prevented by the employers from working in the establishment for two months during the financial year 2014-2015, pending certain inquiry. Since there were no adverse findings 'X' was re-instated in service, later, when the bonus was to be paid to other employees, the employers refuse to pay bonus to 'X', even though he has worked for the remaining ten months in the year. Referring to the provisions of the Payment of Bonus Act, 1965 examine the validity of employer's refusal to pay bonus to 'X'.
6. X, an employee of company, retired on 31<sup>st</sup> March, 2014 and died after few months. The heir of X, applied within the prescribed time to the company for payment of due bonus of X. The company refused to pay the bonus. Examine the validity of the company's refusal and also state the procedure to recover the bonus under the provisions of the Payment of Bonus Act, 1965.

**The Employees' Provident Funds and Miscellaneous Provisions Act, 1952**

7. The Employees' Deposit Linked Insurance Scheme, under Section 6C of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 has been amended by the Central Government. State the relevant amendments made in the Scheme by Employees' Deposit Linked Insurance (Amendment) Scheme, 2014.
8. Is the amount standing to the credit of a member of the Provident Fund attachable in the execution of decree or order of the Court? Examine the law, on this point, laid down in the Employees' Provident Funds and Miscellaneous Provisions Act, 1952.

**The Payment of Gratuity Act, 1972**

9. Explain the manner in which the gratuity payable to employees in a seasonal as well as other establishments is calculated under the Payment of Gratuity Act, 1972. State also the maximum amount of gratuity payable under the Act.
10. What is the law relating to recovery of amount of gratuity under the payment of Gratuity Act, 1972 in case the said amount is not paid by the employer?

**The Companies Act, 2013**

11. Can a non-profit organization be registered as a company under the Companies Act, 2013? If so, what procedure does it have to adopt?
12. The Articles of a Public Company clearly stated that Mr. A will be the solicitor of the company. The company in its general meeting of the shareholders resolved unanimously to appoint B in place of A as the solicitor of the company by altering the articles of association. Examine, whether the company can do so? State the reasons clearly.
13. A company issued a prospectus. All the statements contained therein were literally true. It also stated that the company had paid dividends for a number of years, but did not

disclose the fact that the dividends were not paid out of trading profits, but out of capital profits. An allottee of shares wants to avoid the contract on the ground that the prospectus was false in material particulars. Decide.

14. Mr. John held certain partly paid up shares of Ltd. company. The company asked him to pay the final call money on the shares. Due to some unavoidable circumstances he was unable to pay the amount of call money to the company. At a general meeting of the shareholders, the chairman disallowed him to cast his vote on the ground that the articles do not permit a shareholder to vote if he has not paid the calls on the shares held by him. John contested the decision of the Chairman. Referring to the provisions of the Companies Act, 2013 decide whether the contention of John is valid.
15. M. H. Company Limited served a notice of general meeting upon its shareholders. The notice stated that the issue of sweat equity shares would be considered at such meeting. Mr. 'A', a shareholder of the M. H. Company Limited complains that the issue of sweat equity shares was not specified fully in the notice. Is the notice issued by M. H. Company Limited regarding issue of sweat equity shares valid according to the provisions of the Companies Act, 2013? Explain in detail.

#### PART – B: ETHICS

16. What are the advantages of adopting the business ethics?
17. "CSR can mean different things to different people", explain.
18. Fairness and honesty are at the heart of business ethics and relate to the general values of decision makers. Discuss.
19. (i) Explain the lines that 'Business firms are parts of a larger ecological system'.  
(ii) State the themes given by the UN Guidelines which call upon governments to develop, strengthen and maintain a strong consumer policy, and enhanced protection of consumers by enunciating various steps and measures.
20. State the professional obligations that a finance and accounting professional as an employee has to comply with. What pressure they face in the case of potential conflicts?

#### PART – C: COMMUNICATION

21. State the various forms of the formal communication along with their potential benefits in any organisation.
22. "The group as a whole always rules. The odd man out is always at a disadvantage". Explaining this, give the characteristics of the group personality?
23. "A key element in any communication activity is the values of the organization", explain.
24. Draft a general agreement of partnership deed.
25. Write a letter to bank requesting to provide statements of salary accounts of three months i.e. from 1<sup>st</sup> January 2014 to 31<sup>st</sup> March, 2014.

### SUGGESTED ANSWERS/HINTS

1. (a) The given instance shall be regulated by section 72 of the Indian Contract Act, 1872 which deals with the liability of person to whom money is paid or thing delivered by mistake or under coercion. According to the given provisions, a person to whom money has been paid, or anything delivered, by mistake or under coercion, there such person must repay or return the money or thing delivered by mistake or under coercion, to the person it belongs.

The facts given here states that railway company refuses to deliver up certain goods to the consignee, except on the payment of an illegal charge for carriage. Consignee was under coercion for taking of the delivery of the goods only on the payment of an illegal charge for carriage. The consignee pays the sum charged in order to obtain the goods.

Accordingly, consignee was entitled to recover so much of the charge as was illegally excessive.

- (b) According to section 74 of the Indian contract Act, 1872, "where a contract has been broken, if a sum is named in the contract as the amount to be paid in case of such breach, or if the contract contains any other stipulation by way of penalty, the party complaining of the breach, can claim whether or not actual damages or loss is proved to have been caused thereby, from the other party, a reasonable compensation not exceeding the amount so named, or as the case may be the penalty stipulated for.

In the given case, Mr. Anand contracts with Mr. Birendra that, if he practices as a surgeon within Calcutta, he will pay Birendra ₹ 5000. Anand starts practising as a surgeon in Calcutta. According to the provisions, party complaining of the breach, can claim whether or not actual damages or loss is proved to have been caused thereby, from the other party, a reasonable compensation not exceeding the amount so named in the contract.

Accordingly, Birendra is entitled to such compensation, not exceeding ₹ 5,000 as the courts considers reasonable.

2. (a) The given problem is based on section 200 of the Indian Contract Act, 1872 which deals with the provisions related to the ratification of unauthorized act cannot injure third person. Provisions says that an act done by one person on behalf of another, without such other person's authority, which if done with authority, would have the effect of subjecting a third person to damages, or of terminating any right or interest of a third person cannot, by ratification, be made to have such effect.

According to the given situation, Aditya holds a lease from Birla which is terminable on three months' notice. C, an unauthorized person gives notice of termination of lease to Aditya.

Accordingly the notice given by C (unauthorised person) if, ratified, would terminate Aditya's right or interest in the lease property. So such an unauthorised act of C, cannot be ratified by Birla, so as to binding on Aditya.

- (b) According to the section 187 of the Indian Contract Act, 1872, an authority is said to be express when it is given by words spoken or written. An authority is said to be implied when it is to be inferred from the circumstances of the case and things spoken or written, or the ordinary course of dealing, may be accounted circumstances of the case.

In the given instance, the shop of A was managed by B and the conduct of business as to the ordering of goods from C and transaction related to that was made from the A's fund and with A's knowledge. This reflects according to the above provision that B has an implied authority from A to order goods from C in the name of A for the purposes of the shop.

3. According to Section 130 of the Negotiable Instruments Act, 1881 a person taking cheque crossed generally or specially bearing in either case the words 'Not Negotiable' shall not have or shall not be able to give a better title to the cheque than the title the person from whom he took it, had. In consequence, if the title of the transferor is defective, the title of the transferee would be vitiated by the defect.

Thus based on the above provisions, it can be concluded that if the holder has a good title, he can still transfer it with a good title, but if the transferor has a defective title, the transferee is affected by such defects, and he cannot claim the right of a holder in due course by proving that he purchased the instrument in good faith and for value.

In the given case as Mr. Wise had obtained the cheque fraudulently from Mr. Decent, so he had no title to it and is not capable of giving better title to the cheque or money to the Bank; and as such the bank would be liable for the amount of the cheque for encashment. (*Great Western Railway Co. v. London and Country Banking Co.*)

In case, where Mr, Wise does not transfer the cheque and gets the cheque encashed from Bank himself. The answer would not change and shall remain the same for the reasons given above.

Thus Mr. Decent in both the cases shall be successful in his claim from the bank.

4. **Claim of Interest:** Section 24 of the Negotiable Instruments Act, 1881 states that where a bill or note is payable after date or after sight or after happening of a specified event, the time of payment is determined by excluding the day from which the time begins to run.

Therefore, in the given case, Bal Bharti will succeed in objecting to Kulbhushan's claim. As Bal Bharti paid rightly "three days after sight" which was 4<sup>th</sup> January. Since the bill was presented on 1<sup>st</sup> January, Bal Bharti was required to pay only on the 4<sup>th</sup> and not on 3<sup>rd</sup> January, 2015 as contended by Bal Bharti.

5. **Entitlement for bonus under the Payment of Bonus Act, 1965:** Every employee of an establishment covered under the Act is entitled to bonus from his employer in an accounting year provided he has worked in that establishment for not less than 30 working days in the year and he draws a salary less than ₹ 10,000 per month. [Section 2(13) read with Section 8].

In the given case, X has worked in the establishment for 10 months and draws a salary of Rs 3,500/-, hence his entitlement to bonus is established. However, the point here is, whether he is entitled to receive bonus for the period of 2 months during which he was suspended pending certain inquiry against him. Subsequently, he was exonerated from the charges and was taken back on work.

Section 14 of the Payment of Bonus Act, 1965 lays down the days in a year when an employee is deemed to have worked in the establishment even though he did not actually attend the place of work. Under the said section, an employee is deemed to have worked also on the following days during the accounting year:

- (a) He has been laid off under an agreement or as permitted by standing orders under the Industrial Employment (Standing Orders) Act, 1946, or under the Industrial Disputes Act, 1947 or under any other law applicable to the establishment;
- (b) he has been on leave with salary or wage;
- (c) he has been absent due to temporary disablement caused by accident arising out of and in the course of his employment; and
- (d) the employee has been on maternity leave with salary or wage,

In the given case, X was suspended pending an inquiry; hence he did not attend office for 2 months. These 2 months shall be treated as days worked as it can be reasonably assumed that his suspension was under the Industrial Disputes Act, 1947.

Hence, X will be entitled to receive bonus for the full year (2014-2015) and his employer is wrong to deny him bonus.

6. In the given case, the key point to be evaluated is whether X was eligible for bonus for the accounting year ending 31<sup>st</sup> March 2014. If we presume that it was so, then his legal heir is eligible to claim the bonus.

Under section 19 of the Payment of Bonus Act, 1965 the employer is bound to pay in cash the bonus payable to an employee within eight months from the close of the accounting year, which in this case should be 30<sup>th</sup> November 2014.

The company's refusal is illegal under the Act.

The remedy available to the heir of X lies in section 21 of the Payment of Bonus Act, 1965 under which an employee, his assigns or his heirs, can make an application for the recovery of the amount to the Appropriate Government within one year from the date on which the bonus becomes due. If the appropriate government or the prescribed authority

is satisfied that any money is so due, it shall issue a certificate for that amount to the Collector who shall proceed to recover the same in the same manner as an arrear of land revenue.

7. Amendments have been made to the Employees' Deposit Linked Insurance Scheme from time to time, in order to ensure increasing support to millions of workmen covered under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952.

The latest amendment has been introduced vide Notification dated 29th August 2014 issued by the Ministry of Labour and Employment, Government of India. This amendment has made a huge change which incorporates the following benefits:

- (a) The statutory wage ceiling under the EDLI scheme has been increased from INR 6,500 to INR 15,000 per month.
- (b) The insurance benefit under the EDLI scheme has been increased by 20% in addition to the existing admissible benefits.

Prior to this path breaking amendment the "The Central Government amended the Employees' Deposit Linked Insurance Scheme, 1976 by the introduction of the Employees' Deposit Linked Insurance (Amendment) Scheme, 2010, further followed by the Employees' Deposit Linked Insurance (Amendment) Scheme, 2011 which made further amendments in the benefits provided to the employees under the EDLI Scheme.

8. **Attachment of Provident Fund:** According to Section 10 of E.P.F. & M.P. Act, 1952 the amount standing to the credit of any member in the fund or of any exempted employee in a provident fund shall not in any way be capable of being assigned or charged and shall not be liable to attachment under any decree or order of any court in respect of any debt or liability incurred by the member or the exempted employee, and neither the official assignee appointed under the Presidency Towns Insolvency Act nor any receiver appointed under the Provincial Insolvency Act shall be entitled to or have any claim on, any such amount.

The amounts standing to the credit of aforesaid categories of persons at the time of their death and payable to their nominees under the scheme or the rules, and the amount shall be free from any debt or other liability incurred by the deceased or the nominee before the death of the member or of the exempted employee and shall also not be liable to attachment under any decree or order of any court.

9. **Computation of gratuity amount:** Section 4 of the Payment of Gratuity Act, 1972 stipulates the manner in which the amount of gratuity payable to an employee will be calculated.
  - (i) **Non- Seasonal Establishments** - The employer shall pay the gratuity to an employee at the rate of 15 days wages based on the rate of wages last drawn by the employee concerned for every completed year of service or part thereof in excess of 6 months.

**In the case of piece rated employees, daily wages-** It shall be computed on the average of the total wages received by him for a period of 3 months immediately preceding the termination of his employment and for this purpose the wages paid for any overtime work shall not be taken into account.

**In the case of a monthly rated employee-** 15 days wages shall be calculated by dividing the monthly rate of wages last drawn, by 26 and by multiplying the quotient by 15.

(ii) **Seasonal Establishments** - In the case of seasonal establishment the employees can be classified into 2 groups.

(a) Those who work throughout the year and

(b) Those who work only during the season.

The former are entitled to get the gratuity at the rate of 15 days wages for every completed year of service or part thereof in excess of 6 months. The latter are entitled to receive gratuity at the rate of 7 days for each season.

Under section 4(3) of the Payment of Gratuity Act, 1972, the amount of gratuity payable to an employee shall not exceed ₹ Ten lakhs.

**10. Law relating to recovery of gratuity under the Payment of Gratuity Act, 1972:**

(i) **Issue of certificate to the collector by the controlling authority** - As per the provision given under section 8 of the Payment of Gratuity Act 1972, if the gratuity payable under the Act is not paid by the employer within the prescribed time, to the person entitled thereto, there the Controlling Authority shall, on an application received from the aggrieved person, issue a certificate for that amount to the Collector to recover the same along with the compound interest at such rate as prescribed by the Central Government, as land revenue arrears and pay to the persons entitled thereto.

(ii) **Reasonable notice of hearing** - Before issuing the certificate for such recovery the Controlling Authority shall give the employer a reasonable opportunity of showing cause against the issue of such certificate.

(iii) **Amount of interest** - The amount of interest payable under this section shall not exceed the amount of gratuity payable under this Act in no case.

**11. Registration of a non-profit organization as a company:** According to section 8(1) of the Companies Act 2013, the Central Government may allow person or an association of persons to be registered as a Company under the Companies Act if it has been set up for promoting commerce, arts, science, sports, education, research, social welfare religion, charity protection of environment or any such other useful object and intends to apply its profits or other income in promotion of its objects. However, such company has to prohibit payment of any dividend to its members.

**Procedure:** (i) **Permission from Central Government**-An association of persons intending to carry any or all or some of the activities as mentioned above, has to apply to the Central Government seeking its permission for being set up as a company under the Act.

(ii) **Issue of licence**- The Central Government if satisfied on the above may by the issue of a licence in such manner as may be prescribed and on such conditions as it may deem fit, allow such association to be registered as a limited company under section 8(1) without the addition of word "Limited" or words "Private Limited" as the case may be, to its name.

(iii) **Application filed with registrar after issue of licence**- After the issue of the licence by the Central Government, an application must be made to the Registrar in the prescribe form after which the Registrar will register the association of persons as a company under section 8(1).

(iv) **Privileges and obligations of a limited company**- Under section 8(2) a company registered under section 8(1) as above, shall enjoy all the privileges and be subject to all the obligations of a limited company.

(v) **Revocation of licence**-This licence issued by the Central Government is revocable, and on revocation the Registrar shall put the words 'Limited' or 'Private Limited' against the company's name in the Register. But before such revocation, the Central Government must give the company a written notice of its intention to revoke the licence and provide an opportunity to it to be represented and heard in the matter.

12. According to Section 10(1) of the Companies Act, 2013, the memorandum and articles shall, when registered, bind the company and the members thereof to the same extent as if they respectively had been signed by the company and by each member and contained covenants on its and his part to observe all the provisions of the memorandum and articles.

Further, under Section 14 (1) subject to the provisions of this Act and to the conditions contained in the Memorandum, a company may, by a special resolution, alter its Articles.

Moreover, under section 14(2) the company will be required to file within fifteen days the altered Articles with the Registrar along with necessary documents, such as the copy of the special resolution etc, and in such manner as may be prescribed. On receipt of all documents the Registrar shall register the same.

Section 14 (3) further provides that any alterations in the Articles on registered will be valid as if they were in the original Articles.

In the present case, the company has altered the Articles by a unanimous resolution of the members passed at a general meeting. Hence, the alteration is valid and after registration of the altered Articles, the appointment of B will stand and A will be terminated.

13. The Companies Act, 2013 vide sections 34 and 35 lay down the criminal and civil liabilities of the guilty parties in case of mis-statements and misleading inclusions and omissions in a prospectus. Further, section 36 lays down the punishment for fraudulently inducing persons to invest moneys.

However, the present case before us is not in respect of liability for a possible mis-statement but on the right of the allottee to avoid the contract of purchasing the shares from the company. In order to decide this, key factor to determine, is if any material misrepresentation or concealment of a material fact has taken place and is such misrepresentation is fraudulent.

The non disclosure of the fact that dividends were paid out of capital profits is a concealment of material fact as a company is normally required to distribute dividend only from trading or revenue profits and under exceptional circumstances can do so out of capital profits. Hence, a material misrepresentation has been made.

The question here is a direct issue arising from the consequence of misrepresentation on the contract and is governed by the Indian Contract Act, 1872.

Section 19 of the Indian Contract Act, 1872 states that when consent to an agreement is caused by coercion, fraud or misrepresentation, the agreement is a contract voidable at the option of the party whose consent was so caused.

Hence, in the given case the allottee can avoid the contract of allotment of shares. (*Rex V. Lord Kylsant*).

14. Section 106 (1) of the Companies Act, 2013 states that the articles of a company may provide that no member shall exercise any voting right in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid, or in regard to which the company has exercised any right of lien.

In the present case the articles of the company do not permit a shareholder to vote if he has not paid the calls on the shares held by him. Therefore, the chairman at the meeting is well within its right to refuse him the right to vote at the meeting and Mr. John's contention is not valid.

15. Under section 102 (2) (b) in the case of any meeting other than an AGM, all business transacted thereat shall be deemed to be special business.

Further under section 102 (1) a statement setting out the following material facts concerning each item of special business to be transacted at a general meeting, shall be annexed to the notice calling such meeting:

- (a) the nature of concern or interest, financial or otherwise, if any, in respect of each items, of every director and the manager, if any or every other key managerial personnel and relatives of such persons; and

- (b) any other information and facts that may enable members to understand the meaning, scope and implications of the items of business and to take decision thereon.

Thus, the objection of the member is valid since the complete details about the issue of sweat equity should be sent with the notice. The notice is, therefore, not a valid notice under Section 102 of the Companies Act, 2013.

16. There are many advantages of adopting business ethics:

1. *Improved society:* Adoption of business ethics may lead to improved society as businesses place high value on ethics, fairness and equal rights resulting in framing of anti-trust laws, establishment of Government agencies and recognition of labour unions.
2. *Easier Change management:* During times of change, there is often no clear moral compass to guide leaders through complex conflicts about what is right or wrong. Continuing attention to ethics in the workplace sensitizes leaders and staff for maintaining consistency in their actions.
3. *Strong teamwork and greater productivity:* Ongoing attention to values in the workplace builds openness, integrity and community, all critical ingredients of strong teams in the workplace resulting in strong motivation and better performance.
4. *Enhanced employee growth:* Attention to ethics in the workplace helps employees face the reality, both good and bad in the organization and gain the confidence of dealing with complex work situations.
5. *Ethics programs help guarantee that personnel policies are legal:* A major objective of personnel policies is to ensure ethical treatment of employees. Attention to ethics ensures highly ethical policies and procedures in the workplace. Ethics management programs are also useful in managing diversity.
6. *Ethics programs help to avoid criminal acts "of omission" and can lower fines.* Ethics programs help to detect ethical issues and violations early, so that they can be reported or addressed.
7. *Ethics programs help to manage values associated with quality management, strategic planning and diversity management.* Ethics programs help identifying preferred values and ensuring that organizational behaviors are aligned with those values. This includes recording the values, developing policies and procedures to align behaviours with preferred values, and then training all personnel about the policies and procedures. For *example*, Total Quality Management initiatives include high priority on certain operating values, e.g., trust among stakeholders, performance, reliability, measurement, and feedback.
8. *Ethics helps to promote a strong public image:* An organization that pays attention to its ethics can portray a strong and positive image to the public. People see such

organizations as valuing people more than profit and striving to operate with the integrity and honor.

Thus managing ethical values in businesses besides optimizing profit generation in the long term, legitimizes managerial actions, strengthens the coherence and balance of the organization's culture, improves trust in relationships between individuals and groups, supports greater consistency in standards and qualities of products, and cultivates greater sensitivity to the impact of the enterprise's values and messages. Finally and most essentially, proper attention to business ethics is the right thing to do.

17. Corporate Social Responsibilities (CSR) is an integrated combination of policies, programs, education, and practices which extend throughout a corporation's operations and into the communities in which they operate, about how companies voluntarily manage the business processes to produce an overall positive impact on society. CSR can mean different things to different people:
- for an employee it can mean fair wages, no discrimination, acceptable working conditions etc.
  - for a shareholder it can mean making responsible and transparent decisions regarding the use of capital.
  - for suppliers it can mean receiving payment on time.
  - for customers it can mean delivery on time, etc.
  - for local communities and authorities it can mean taking measures to protect the environment from pollution.
  - for non-governmental organisations and pressure groups it can mean disclosing business practices and performance on issues ranging from energy conservation and global warming to human rights and animal rights, from protection of the rainforests and endangered species to child and forced labour, etc.

For a company, however, it can simply be seen as responding to the needs and concerns of people who can influence the success of the company and/or whom the company can impact through its business activities, processes and products.

18. Mainly ethical issues can be categorized in the framework of their relation with business associates, conflicts of interest, fairness and honesty, and communications.

Fairness and honesty are at the heart of business ethics and relate to the general values of decision makers. At a minimum, businesspersons are expected to follow all applicable laws and regulations. But beyond obeying the law, they are expected not to harm customers, employees, clients, or competitors knowingly through deception, misrepresentation, coercion, or discrimination.

One aspect of fairness and honesty is related to **disclosure of potential harm caused by product use**. For *example*, Mitsubishi Motors, a Japanese automaker, faced criminal charges and negative publicity after executives admitted that the company had systematically covered up customer complaints about tens of thousands of defective automobiles over a 20-year period in order to avoid expensive and embarrassing product recalls.

Another aspect of fairness relates to **competition**. Although numerous laws have been passed to foster competition and make monopolistic practices illegal, companies sometimes gain control over markets by using questionable practices that harm competition. Rivals of Microsoft, for *example*, accused the software giant of using unfair and monopolistic practices to maintain market dominance with its Internet Explorer browser.

19. (i) The problem of pollution and other environmental issues can best be framed in terms of our duty to recognize and preserve the ecological systems within which we live. An ecological system is an interrelated and interdependent set of organisms and environments, such as a lake, in which the fish depend on small aquatic organisms, which in turn live on decaying plant and fish waste products. Since the various parts of an ecological system are interrelated, the activities of one of its parts will affect all the other parts. Business firms (and all other social institutions) are parts of a larger ecological system. Business firms depend on the natural environment for their energy, material resources, and waste disposal, and that environment in turn is affected by the commercial activities of business firms.
- (ii) The UN Guidelines call upon governments to develop, strengthen and maintain a strong consumer policy, and provide for enhanced protection of consumers by enunciating various steps and measures around eight themes (UNCTAD, 2001). These eight themes are:
1. Physical safety
  2. Economic interests,
  3. Standards
  4. Essential Goods and services
  5. Redress
  6. Education and information
  7. Specific areas concerning health
  8. Sustainable consumption
20. **For a finance and accounting professional working as an employee:** A finance and accounting professional has a professional obligation to comply with certain fundamental principles. There may be times, however, when their responsibilities to an employing

organization and the professional obligations to comply with the fundamental principles are in conflict.

Following are the professional obligations-

- (i) A finance and accounting professional should support the legitimate and ethical objectives established by the employer and the rules and procedures drawn up in support of those objectives.
- (ii) Nevertheless, where compliance with the fundamental principles is threatened, a finance and accounting professional must consider a response to the circumstances.
- (iii) As a consequence of responsibilities to an employing organization, a finance and accounting professional may be under pressure to act or behave in ways that could directly or indirectly threaten compliance with the fundamental principles. Such pressure may be explicit or implicit; it may come from a supervisor, manager, director or another individual within the employing organization.

**A finance and accounting professional may face pressure to:**

- (i) Act contrary to law or regulation.
- (ii) Act contrary to technical or professional standards.
- (iii) Facilitate unethical or illegal earnings management strategies.
- (iv) Lie to, or otherwise intentionally mislead (including misleading by remaining silent) others, in particular:
  - ◆ The auditors of the employing organization; or
  - ◆ Regulators.
- (v) Issue, or otherwise be associated with, a financial or non-financial report that materially misrepresents the facts, including statements in connection with, for *example*:  
The financial statements; Tax compliance; Legal compliance; or Reports required by securities regulators.

**21. Various forms of formal communication-** Formal Communication in the working environment can be in any of the following forms-

- (i) Downward communication - A communication from superior to subordinate
- (ii) Upward Communication - A communication from subordinate to superior
- (iii) Horizontal/Lateral communication - A communication between co-worker with different areas of responsibility

**Potential Benefits** - (i) Downward communication may lead to prevention or correction of employee errors, greater job satisfaction and improved morale.

- (ii) Upward communication may preclude new problems and provide solution of old ones and increased acceptance of management decisions.
  - (iii) Horizontal/Lateral communication may increase co-operation among employees with different duties and enhancing the greater understanding of the organization's mission.
22. **Characteristics of group personality-** Given below are the characteristics of group personality.
- (a) **Spirit of Conformity:** Individual members soon come to realize that in order to gain recognition, admiration and respect from others they have to achieve a spirit of conformity. Our beliefs, opinions, and actions are influenced more by group opinion than by an individual's opinion, even if it is an expert's opinion.
  - (b) **Respect for group values:** Any working group is likely to maintain certain values and ideals which make it different from others. In order to deal effectively with a group, we must understand its values, which will guide us in foreseeing its programmes and actions.
  - (c) **Resistance to change:** The group may bring about its own changes, whether by dictation of its leader or by consensus. The degree to which a group resists change serves as an important index of its personality. It helps us in dealing with it efficiently.
  - (d) **Group prejudice:** Just as hardly any individual is free from prejudice, groups have their own clearly evident prejudices. It is a different matter that the individual members may not admit their prejudiced attitude to other's race, religion, nationality etc. But the fact is that the individual's prejudices get further intensified while coming in contact with other members of the group holding similar prejudices.
  - (e) **Collective power:** Groups are always more powerful than individuals, how so ever influential the individual may be. That is why individuals may find it difficult to speak out their minds in groups. All of us are in need of people who adopt a friendly attitude towards us, not really those who are out to challenge us in a group.
- Thus, the group as a whole always rules. The odd man out is always at a disadvantage.
23. A key element in any communication activity is the values of the organization. Values are the principles and ideas that people or organizations strongly believe in and consider important. When people are in doubt about decisions, they frequently rely on deep-seated values to help them make the right choice. In organizations, reliance on shared values makes setting goals easier in the face of the competing ideas, desires, and objectives of individual employees.
- One can get a good idea about the values of an organization by examining its vision and mission statement. These statements are short descriptions of the purpose of

organizations and the directions they try to take to achieve success. Many organizations post their vision and mission statements in several places so that employees know what the organization values.

#### 24. PARTNERSHIP DEED

This AGREEMENT OF PARTNERSHIP is made in ..... city on ..... day of January, 2015 between..... (hereinafter called the FIRST PARTY) and ..... (hereinafter called the SECOND PARTY) on the terms and conditions set forth herein;

The parties aforementioned mutually agree:

1. That the name of the partnership shall be .....
2. The partnership shall commence on the .....day of January, 2015 for the purpose of carrying on the business of .....and shall continue for .....years unless determined earlier by notice in writing by any party delivered to the other parties.
3. The capital of the partnership shall be ₹ ..... which shall be contributed in equal shares by the parties.
5. The share of the parties in profits and losses shall be equal.
6. Proper and regular account of the affairs and transactions of the partnership shall be maintained and kept at the principal place of business of the partnership.
7. Six monthly balance-sheet and profits and loss account shall be prepared under the supervision of all the parties and shall be signed by each party, who shall be bound thereby except for error discovered and rectified within three months thereof.
7. No partner shall carry on any other business which may be allied or similar to the business of the partnership.
8. Death of a partner shall not operate as dissolution of the partnership.
9. Any dispute arising out of his partnership shall be referred for adjudication to the arbitration of the President of the Bar Association at or his nominee whose decision shall be final and binding on all parties and their legal representatives.

In witness whereof the parties of aforementioned have signed this deed of partnership.

WITNESS

Signature

1. ....

First Party .....

2. ....

Second Party .....

25. Letter to bank requesting to provide statements of salary accounts for the three months (from 1<sup>st</sup> of January, 2014 to 31<sup>st</sup> of March, 2014)

To,

The Manager,

Axis Bank,

Delhi

**Reg:** Statement of Salary A/C no ..... from 1<sup>st</sup> of January, 2014 to 31<sup>st</sup> of March, 2014

Dear Sir,

As you aware that I, have been maintaining a salary account with your esteemed organization for the last ten years and also all our family deposits are with this branch.

I, am in need of statement of my salary accounts of the above mentioned period.

I, hereby request you to provide the statement at an earliest.

Thanking you.

Yours faithfully,

(Mr. X)

(Customer)